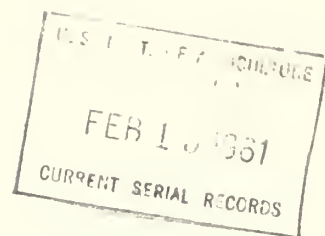


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Prospects for Foreign Trade in

TOBACCO

Foreign Agricultural Service
UNITED STATES DEPARTMENT OF AGRICULTURE
December 1960

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X PROSPECTS FOR FOREIGN TRADE IN TOBACCO X

World tobacco consumption continued to increase in 1960. Cigarette smoking made another significant gain and totaled approximately 2,200 billion pieces--a new record--compared with the previous high of 2,103 billion in 1959. Output in the United States in 1960 was about 510 billion pieces, up 4 percent from 1959. Generally favorable business conditions, more extensive advertising, larger incomes, and greater contact among people throughout the world likely will assure a continued upward trend in cigarette manufacture.

World sales of cigars and cigarillos also rose in 1960, and, combined with larger cigarette consumption, more than offset drops in other tobacco products.

In countries where U.S. market development projects are being conducted jointly by the U. S. trade, foreign manufacturers, and the Department of Agriculture, use of U. S. leaf in cigarettes climbed slowly but steadily. These countries include Japan, Thailand, and Finland. And now Poland, following wide consumer acceptance of American-type cigarettes made at the Poznan Trade Fair, plans to begin manufacture of cigarettes containing high percentages of U. S. tobacco.

The recent gains in world tobacco consumption, however, have not brought about corresponding increases in world tobacco exports. In 1959, Free World exports of leaf tobacco totaled 1,414 million pounds--2.5 percent less than the average of 1,450 million for 1956-58. Preliminary information indicates that Free World exports in 1960 were about 2 percent above those of 1959--in the range of 1,440 to 1,450 million pounds.

More tobacco is being grown in countries where it is consumed. Farmers in some countries--including Australia, the Philippines, Italy, and France--have aggressively sought less dependence on imports. And their governments have not turned a deaf ear to their demands, thus reducing import requirements while at the same time providing a larger percentage of their manufacturers' requirements from domestic tobaccos.

The U. S. tobacco export trade has been affected more by these and other developments than most producing-exporting countries. In 1959, U. S. exports totaled 466 million pounds--down 3.5 percent from 1958. They were about the same in 1960 as in 1959, but the share of Free World trade probably dropped a little, following the downward trend of recent years. In 1959, the U.S. share was 33 percent, compared with 37.9 percent for 1950-54. For fiscal 1961, U.S. tobacco exports likely will be near 480 million pounds (export weight)--up 5 percent from the 457 million exported in fiscal 1960.

Outlook

Several factors favor some increase in U. S. trade in fiscal 1961: (1) Stocks of U. S. leaf in several important markets are lower than a year ago; (2) the United Kingdom has removed financial restrictions on purchases of U. S. leaf; (3) gold and dollar reserves abroad are large and economic activity continues strong; (4) world cigarette consumption is moving upward at about 5 percent yearly; (5) the U.S. 1960 crop of flue-cured is about 160 million pounds larger than the 1959 production and is considered of good export quality; (6) U.S. prices by grade have been largely stabilized by legislation enacted in early 1960.

On the other hand, factors unfavorable to increased U. S. export trade will continue to largely offset those on the plus side.

One of these is the bigger supplies of tobacco that are available for export from major producers which compete with the United States in world trade. World tobacco production was at a record level in 1960--8.8 billion pounds, compared with 8.5 billion in 1959. Major increases were recorded for countries which compete strongly with the United States for markets--including the Federation of Rhodesia and Nyasaland, Canada, and Turkey. Most of the larger production in these countries consists of cigarette types of tobacco--the most important kinds shipped abroad from the United States.

Foreign production continues to be stimulated by the relatively high prices for U.S. cigarette tobaccos. For low and medium grades, particularly, U.S. prices are higher than for similar qualities of tobacco grown in major competing countries--especially Rhodesia.

In recent years, the U. S. tobacco grower has tended to emphasize production volume at the expense of quality. Cultural methods adopted also appear to have resulted in some drop in quality. At the same time, more effective research, better varieties, and improved cultural and grading practices abroad have improved the quality of competitive tobaccos. Heavier demands for non-U. S. tobaccos have resulted.

The United States, itself, is providing an ever-increasing market for both cigarette and cigar types of tobacco of foreign origin. Total U.S. imports of tobacco for consumption reached a record 152 million pounds in 1959, and a further rise was recorded in 1960. This has placed the United States third, next to the United Kingdom and West Germany, as a Free World importer. Producers of low-priced cigar tobaccos, mainly filler and scrap, are taking advantage of reduced U.S. tariffs to move more and more tobacco here. A much higher proportion of U.S. factory use of tobacco is now being supplied from abroad--Turkey, Greece, Cuba, and the Philippines mainly--and this trend is likely to persist, although at probably a slower rate than in the past few years.

Artificial barriers erected by important markets will affect U.S. export trade in the year ahead and encourage gains in trade by our competitors. Licensing of dollar tobacco and tobacco products remains in effect in a number of countries. Mixing regulations favor use of domestic tobaccos in West Germany, New Zealand, and Australia. And Venezuela and Cuba have imposed drastic curbs on cigarette imports.

Leaf production abroad is considerably larger now than in recent years--and so are export availabilities--following measures undertaken by producing countries to encourage leaf tobacco trade as a means of earning exchange. The purchase agreement between Rhodesian growers and British manufacturers virtually guarantees that at least 90 million pounds of the annual Rhodesian crop will move to Britain. And a Commonwealth preferential tariff in Britain, equal to 21.5 U.S. cents per pound, encourages U. K. manufacturers to use more and more Rhodesian, Canadian, and Indian leaf.

In Australia, the largest market for U. S. leaf outside Europe, a mixing regulation favoring ever-increasing use of domestic tobacco has operated to the disadvantage of U. S. export trade. Australia had a record crop of tobacco in 1960--45 percent larger than in 1959. Further gains in production are expected as the result of the concessional duties applied to imported leaf blended with minimum percentages of domestic tobacco. The Australian Government appears to have a program of steady increases in the minimum blending regulation.

A severe attack of blue mold, a fungus disease, occurred in Western Europe in 1960. This damaged the crop of tobacco in most countries, with particularly severe results in West Germany. Whatever larger import demand is generated in 1961 most likely will be of maximum benefit to countries growing and exporting low-priced cigar filler tobaccos, such as the Dominican Republic, Brazil, Philippines, and Colombia.

The formation of the European Economic Community already has affected demand for U. S. tobacco in the six member countries--West Germany, the Netherlands, Belgium, France, Italy, and Luxembourg. The tariff on tobacco moving from one member country to another, now 20

percent below the external rate, has stimulated imports from Italy into the other EEC countries. The internal tariff is scheduled to be gradually reduced until it is eliminated completely sometime in the future.

The ad valorem nature of the tariff, to be applied against imports from the United States and other countries outside the EEC, favors further increases in the already stepped-up use of low-priced, non-U. S. tobaccos from competing countries. U. S. negotiators at the GATT meetings in Geneva (General Agreement on Tariffs and Trade) are, at the time this is written, attempting to obtain more favorable tariff treatment for U. S. tobacco than the proposed 30 percent ad valorem, with minimum and maximum limits.

Greece and Turkey are expanding their use of bilateral trading arrangements to move tobacco to countries that are suppliers of industrial items. And the possible association of Greece and Turkey with the Common Market may provide favored treatment for their tobacco in the member countries.

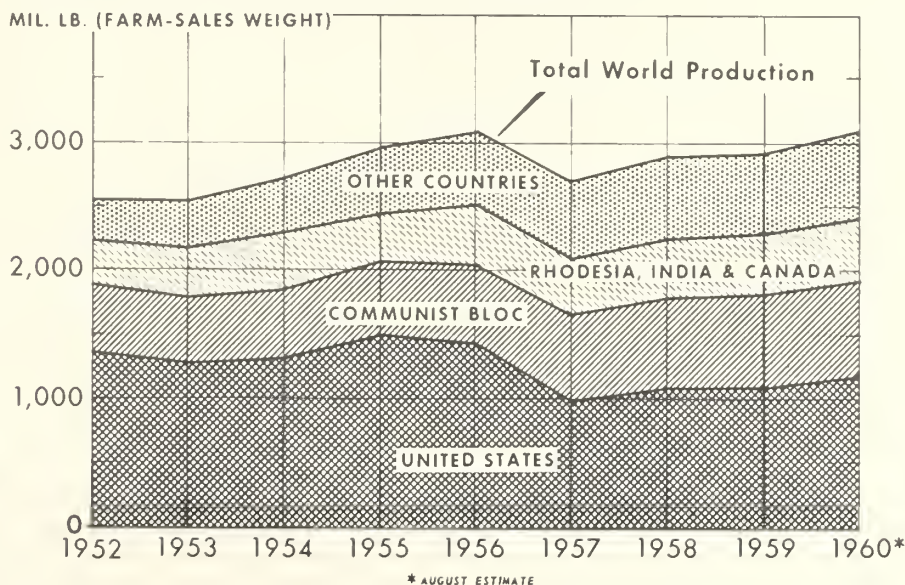
The U. S. Government, in cooperation with the U. S. trade, is attempting to move tobacco to countries that otherwise could not purchase here--mainly by means provided under Title I of Public Law 480. Agreements recently signed with Spain, Poland, Egypt, Finland, and other countries provide for the purchase of U. S. leaf in sizable quantities, without interfering with usual marketings from other producing countries.

Market development projects of various sorts--including advertising media, visits of key officials to the United States to study manufacturing and distribution methods, and market analyses surveys--are currently in progress. These are boosting use of U. S. leaf in areas that otherwise would be using much less.

World Production

A record world crop of tobacco was produced in 1960. About 8.8 billion pounds were harvested by tobacco farmers throughout the world. Production was up in the United States, as well as in

U. S. Maintains Share of World Flue-Cured Production Since Big 1957 Acreage Cut



USDA

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most of the other major tobacco-growing countries, with particularly striking gains in the Federation of Rhodesia and Nyasaland, Canada, Turkey, the Philippines, and India.

Production in the United States in 1960, at 1,952 million pounds (November estimate) was 8.6 percent larger than in 1959, but still below the high levels attained in recent years before acreage cuts were made following accumulation of supplies in excess of domestic and export requirements. The U.S. 1960 crop of flue-cured was 1,242 million pounds--15 percent larger than in 1959, and is considered to be of good export quality.

Other Free World countries, however, also had large flue-cured crops in 1960, thus strengthening competition for world markets. In the Federation of Rhodesia and Nyasaland the record 1960 harvest of 222 million pounds compared with 195 million in 1959--an increase of 14 percent. The 1960 Rhodesian crop was nearly double the average for 1950-54, and contrasts sharply with a drop in the United States when compared with that production average. Flue-cured production in Canada also was a record--191 million pounds--up 38 million pounds from 1959. Canadian leaf tobacco production has benefited from sharply rising domestic consumption and larger markets in Commonwealth countries--especially the United Kingdom. The Indian flue-cured crop in 1960 was slightly larger than in the previous year.

Table 1.—World production of tobacco by kind, average 1950-54, annual 1957-60¹

YEAR	FLUE-CURED		BURLEY		OTHER LIGHT AIR-CURED	
	FOREIGN	U. S.	FOREIGN	U. S.	FOREIGN	U. S.
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Average:						
1950-54	1,209	1,332	74	600	62	41
Annual:						
1957	1,738	975	113	488	66	31
1958	1,799	1,081	120	466	65	31
1959	1,912	1,081	127	502	60	32
1960	2,023	1,242	119	497	55	33

	FIRE-CURED		OTHER		TOTAL		GRAND TOTAL
	FOREIGN	U. S.	FOREIGN	U. S.	FOREIGN	U. S.	
Average 1950-54	86	57	4,196	154	5,627	2,184	7,811
1957	93	50	4,938	117	6,948	1,661	8,609
1958	92	43	4,450	115	6,526	1,736	8,262
1959	84	53	4,519	129	6,702	1,797	8,499
1960	79	49	4,595	131	6,871	1,952	8,823

¹Includes Soviet Bloc and Mainland China.

Production of flue-cured tobacco--the most-important kind entering world trade--continues to be encouraged in Commonwealth countries by the preferential tariff in the United Kingdom--the world's largest import market. The guaranteed purchase agreement between British manufacturers and Rhodesian growers also acts as a stimulant to production in the Federation. It permits the export of increasing quantities of top-quality leaf to Britain while at the same time allowing larger exports of lower priced grades to countries outside the Commonwealth, mainly to Western Europe.

Oriental tobacco production continued at a high level in 1960--with the major increase in Turkey. The Greek crop in 1960, at 138 million pounds, was 21 percent smaller than in 1959, but prospects are that an increase will be recorded in 1961. The Greek Government already has announced plans for larger acreages in view of the relatively small 1960 harvest. Major producers of oriental leaf--aside from Turkey and Greece--include Yugoslavia, Bulgaria, and the Soviet Union. In recent years, production of oriental leaf in all of these countries has been trending upward. Most Soviet tobacco is used locally. A large percentage of the Bulgarian crop moves

to the Soviet Union, and most Yugoslav leaf is shipped to markets in both Western and Eastern Europe.

In 1960, the U. S. burley crop, at 497 million pounds (November estimate) accounted for 81 percent of world burley production. This compares with 89 percent in 1950-54, when the U. S. crop averaged 600 million pounds. Production of burley abroad in 1960 was a little below 1959. There were no plantings in Canada, where stocks had become excessive. But the principal competitors of the United States--Italy and Japan--both grew somewhat more burley than in 1959. In West Germany, blue-mold disease severely reduced both quantity and quality of the 1960 crop.

World Trade

Preliminary information indicates that Free World tobacco exports totaled 1,440 million to 1,450 million pounds in 1960, compared with 1,414 million in 1959. It is likely that the U.S. share dropped a little from the 33 percent recorded in 1959. For 1960, U. S. exports probably were about equal to the 466 million pounds shipped out in 1959.

Most tobacco exports from Mainland China and Bulgaria move to the Soviet Union and other bloc countries in Eastern Europe, and do not enter the Free World trade picture.

Although the actual average volume of U.S. tobacco exports in the past few years compares favorably with a decade ago, the United States is slowly but steadily declining in importance as an exporting country. Its share in world trade is dropping.

Importing countries are shifting away from the United States as a source of supply and are directing trade toward producing countries with which they have closer politico-economic ties. This trend is expected to continue, although the absolute volume of U.S. exports is likely to hold up at near recent levels.

Table 2.—U. S. exports of unmanufactured tobacco by type, average 1950-54, annual 1955-59

TYPE	[Export weight]					
	AVERAGE 1950-54	1955	1956	1957	1958	1959
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
Flue-cured	391.2	456.1	420.4	417.7	398.7	373.7
Burley	28.9	31.7	29.2	20.5	28.8	31.9
Kentucky-Tenn. fire-cured.	23.1	21.4	24.2	22.0	19.7	17.8
Virginia fire-cured ¹	4.7	4.4	4.4	5.3	4.6	4.9
Maryland	7.4	8.4	12.1	13.5	11.9	14.4
Green River	1.9	1.8	1.3	1.6	1.2	.8
One Sucker	1.8	1.7	2.4	2.6	.9	2.4
Black Fat	4.0	5.3	4.6	4.5	4.9	4.9
Cigar leaf:						
Wrapper	3.5	4.2	3.9	4.5	4.7	4.0
Binder	2.7	1.7	3.1	3.9	2.0	3.2
Filler . . . . .	.6	.2	.8	.1	.6	1.0
Total cigar leaf	6.8	6.1	7.8	8.5	7.3	8.2
Perique . . . . .	.1	.1	.1	.1	.1	.1
Trimnings, stems and scrap	3.8	3.3	3.9	4.7	4.2	6.5
Total	473.7	540.3	510.4	501.0	482.3	465.6

¹Includes Virginia sun-cured.

Table 3.—Free World exports of unmanufactured tobacco; average 1950-54, annual 1955-59
[Export weight]

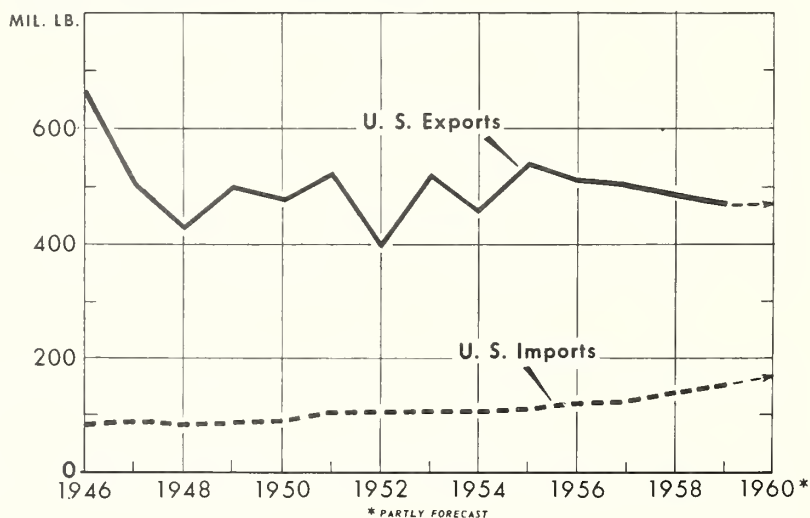
COUNTRY	AVERAGE 1950-54	1955	1956	1957	1958	1959
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds
United States	474	540	510	501	482	466
Federation of Rhodesia and Nyasaland	117	124	165	139	143	176
India	84	99	93	80	106	83
Canada	31	48	30	37	30	41
Greece	88	121	107	152	138	121
Turkey	133	132	134	195	124	147
Indonesia	30	28	25	31	47	34
Dominican Republic	30	29	30	26	25	27
Philippines	19	16	23	24	31	17
Brazil	65	61	67	62	66	62
Cuba	37	48	47	56	57	58
All others	143	165	181	183	201	182
Total	1,251	1,411	1,412	1,486	1,450	1,414
	Percent	Percent	Percent	Percent	Percent	Percent
U. S. Share	37.9	38.3	36.1	33.7	33.2	33.0

Countries exporting mainly cigarette leaf have made the most significant gains in exports during the past decade.

Exports from the Federation of Rhodesia and Nyasaland set a new record in 1960--exceeding the previous high of 176 million in 1959. Exports from Canada, India, Greece, and Turkey all were considerably larger in 1960 than in the early 1950's.

Cigarette tobaccos now account for more than 80 percent of total world export trade. These tobaccos include flue-cured, burley, Maryland, and oriental. The growing importance of cigarette

U. S. Tobacco Exports Drop, Imports Continue Steady Rise



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leaf in international trade reflects the steady increase in world consumption of cigarettes.

Western Europe, considered as a whole, continues to be the major market area for leaf imports, including those from the United States. The United Kingdom is the No. 1 world importer--with total purchases in excess of 300 million pounds annually. West Germany ranks second as a Free World tobacco importer. With increasing consumption in both of those countries, it is likely that tobacco imports will expand slowly in both of them. But it is probable that most of the gain will be accounted for by non-U. S. sources of supply.

The gradual shift away from the United States as a supplier can be illustrated by trade developments in West Europe. In 1959, West European tobacco manufacturers used about 1,232 million pounds of tobacco, compared with an average of 1,054 million for 1950-54--a rise of 17 percent. Factory use of U. S. leaf, however, was only 3 percent larger (11 million pounds). Use of other imported tobaccos increased 33 percent from 1950-54 to 1959--representing a gain in volume of 141 million pounds.

Table 4.—Estimated factory use of unmanufactured tobacco in West Europe,¹ average 1950-54, annual 1955-59
(Processing weight)

YEAR	TOTAL	DOMESTIC LEAF	IMPORTED LEAF			U. S. SHARE	
			TOTAL	UNITED STATES LEAF	OTHER IMPORTED LEAF	OF TOTAL	OF IMPORTED
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent
Average:							
1950-54	1,054	286	768	345	423	32.7	44.9
Annual:							
1955	1,147	311	836	348	488	30.3	41.6
1956	1,162	301	861	358	503	30.8	41.6
1957	1,183	311	872	357	515	30.2	40.9
1958	1,224	316	908	360	548	29.4	39.6
1959	1,232	312	920	356	564	28.9	38.7

¹Excludes Greece and Yugoslavia.

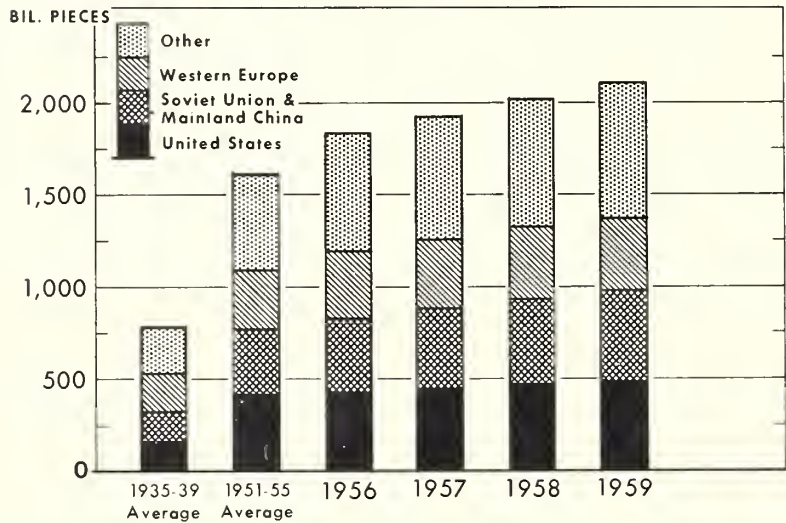
U. S. tobacco imports are rising steadily, a fact often overlooked when the U. S. position as the largest exporter is considered. U. S. imports of all tobaccos were near 160 million pounds in 1960. This compares with an average of 102 million pounds for 1950-54.

World Consumption

World consumption of tobacco is rising at a fairly rapid rate, mainly because more cigarettes are being smoked. Cigarette output totaled about 2,200 billion pieces in 1960, compared with the previous record of 2,103 billion in 1959. Output is showing the biggest gain in actual volume in the United States, although increases are relatively greater in countries that have just begun to develop their cigarette-manufacturing industries. Many new cigarette factories have been built during the past decade in underdeveloped countries of Africa and Asia.

Countries showing particularly significant cigarette production gains in 1959, compared with the 1951-55 average include Jordan, Pakistan, Burma, Ghana, Rhodesian Federation, Republic of the Congo, Indonesia, Canada, West Germany, Australia, and Spain.

Increasing World Cigarette Output Provides Expanding Market for Tobacco



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World cigar consumption is now rising slowly, after declining during much of the postwar period. The world's largest producers of cigars include the United States, West Germany, Burma, the Netherlands, Denmark, and Belgium.

Consumption of other products--smoking tobacco, chewing tobacco, and snuff--is dropping rather steadily.

Principal Areas of Competition

The European Common Market

The Common Market countries take roughly one-fourth of total U. S. tobacco exports. They provide a good outlet for all kinds of tobacco. Developments in the Common Market tariff structure are likely to have far-reaching effects on U. S. tobacco trade.

The U. S. position in the Common Market tobacco import picture already has begun to deteriorate, as manufacturers there have taken into account the implications of tariff structure on their costs. In 1959, the U. S. share of the Common Market tobacco import trade was down to 28 percent, compared with an average of 33 percent for 1953-57.

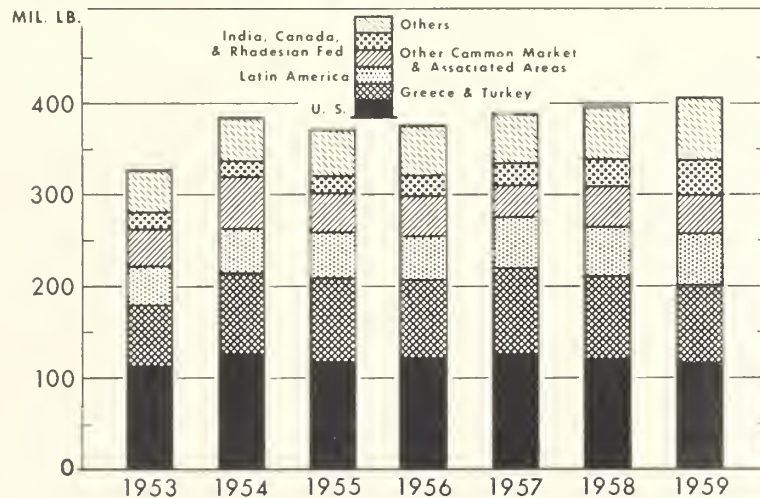
By far the most important development within the Common Market area as far as the future of U. S. exports is concerned is the change in the external tariff rate--the rate that will be applied to imports from the United States and other outside countries. The Rome Treaty which established the Common Market, composed of West Germany, the Netherlands, Belgium, Luxembourg, France, and Italy, provided for the establishment of a 30 percent ad valorem tariff on all external tobaccos. An adjustment in this rate recently has been agreed upon.

Instead of a flat tariff of 30 percent ad valorem, there will be a 30 percent ad valorem rate (effective by gradual steps) with a minimum of 13.2 cents per pound and a maximum of 19.1 cents. Thus, tobaccos costing less than 44 cents per pound will be subject to a tariff of 13.2 cents per pound; those priced at 64 cents per pound or more will be assessed the maximum rate of 19.1 cents per pound. By far the largest proportion of U.S. imports into the Common Market area consists of tobacco priced in excess of 64 cents per pound, and the maximum duty would apply. (The average tariff incidence on all U.S. tobacco exports to Common Market countries

in 1958 was equivalent to about 12.8 cents per pound, or 19 percent ad valorem.)

On the other hand, most competitive tobaccos cost less than U.S. leaf, and the tariff on these would be less than 19.1 cents per pound. The proposed tariff structure, however, would be more favorable to U.S. leaf than the original flat 30 percent ad valorem rate. But the present rates in the Common Market countries are specific ones applying to all external tobaccos--19.4 cents per pound in West Germany and 3.8 cents in the Benelux countries. (France and Italy have tobacco monopolies, and no duties are presently applied on imports.)

U. S. Tobacco Competitors Gain In European Common Market



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It also has been agreed by the member countries that the internal tariff (including that on leaf from the Associated Overseas Territories) eventually will be reduced to zero. As this is written, two cuts of 10 percent each already have been made and the tariff in West Germany, for example, on Italian leaf is equivalent to 15.5 cents per pound in contrast to the 19.4 cents per pound on U.S. and other external tobaccos. This already has encouraged West German tobacco manufacturers to step-up use of Italian leaf, particularly burley.

The possible association of Greece and Turkey with the Common Market eventually may place tobacco imports from those countries in the duty-free category, further weakening the U.S. competitive position.

At the time this is written, U.S. representatives are participating in GATT negotiations in Geneva. One of the principal objectives of these meetings as far as the United States is concerned, is to ease the unfavorable effects that the present agreed Common Market tariff rate would have on U.S. and other external tobaccos, especially in the light of the agreed elimination of tariffs on tobacco produced in the Common Market and its Associated Territories.

Rhodesian Federation's Competition

Currently the Rhodesian Federation is making strong efforts to increase leaf marketings abroad not only in Western Europe but also in the less-developed countries of Asia and Africa. At the present time there are four aspects of Rhodesian competition which appear to have the greatest impact on the U.S. position in world markets: (1) The guaranteed purchase agreement with British tobacco manufacturers; (2) the British preferential tariff of about 21 1/2 cents per pound on Commonwealth tobacco; (3) the purchase agreement between Australian manufac-

turers and Rhodesian producers, together with a preference of 8.4 cents per pound granted Rhodesian leaf in the Australian market and (4) the ad valorem nature of the agreed Common Market tariff rate, which would result in a greater impact on the higher priced U.S. leaf than on lower priced Rhodesian tobaccos.

The present agreement between Rhodesia and Britain provides for the annual export of at least 90 million pounds of tobacco to British manufacturers. Rhodesian exports to Britain have risen substantially under this purchase arrangement and have effectively limited the quantities of U. S. leaf required in that country. When combined with the preferential tariff of 21.5 cents per pound, the effect has been to permit increased sales to the United Kingdom at prices higher than the quality of the tobacco warrants. It also has permitted the sale of lower grades of tobacco to Western European countries at prices lower than the quality should bring at auction and sometimes even below the actual cost of production.

Also, Rhodesian competition in the Australian import market for tobacco has been strengthened by the purchase agreement (providing for about 9.7 million pounds per year) with Australian manufacturers and the 8.4-cents-per-pound tariff preference. Australian imports of Rhodesian leaf are now twice as large as those of 1950. The effects of this agreement when combined with the Rhodesian preference have been to limit the ability of the U.S. grower to compete equitably in the Australian market.

Australian Regulations

Australia also limits its market for U.S. leaf by mixing regulations favoring ever-increasing use of domestic tobacco. The Australian Government authorizes a duty concession of 17 pence (15.8 U.S. cents per pound) in the tariff on imported leaf when such leaf is blended with the minimum prescribed percentages of domestic tobacco.

Mixing regulations first went into effect in 1936. Since 1957 the minimum amount of Australian leaf required to be used by manufacturers complying with the mixing regulation has increased sharply. This regulation has encouraged Australian growers to produce more tobacco than they otherwise would and a record crop was harvested in 1960. It has enabled Australian tobacco producers to obtain prices (\$1.29 per pound in 1960) well above world prices for similar quality leaf. Demand for imported tobacco has been adversely affected.



Burmese cigarettes made from U.S. tobacco are advertised on this poster made from tin. Discussing it are (left to right) Chan Kee In, owner of a large Burmese tobacco firm, U Hla Sein, a cooperator-representative in the U.S.-Burmese tobacco promotion program, and U.S. Agricultural Attache Arthur M. Rollefson.

Market Development Activities

During the past 5 years, about 40 tobacco market development projects have been undertaken in 17 countries. These projects carried out jointly by the USDA, U.S. tobacco trade, and the appropriate foreign tobacco trade group, are undertaken for the purpose of helping promote greater consumption of U. S. tobacco in foreign countries.

In 1960, market development was intensified and expanded. The U. S. tobacco trade has taken a more active role in these projects and is now making a relatively larger financial contribution to this work. Results with tobacco market promotion programs continue to be encouraging. The following is a brief description of recent accomplishments in Japan and Poland, which are typical of countries where market development projects have been undertaken.

Japan

The Foreign Agricultural Service, in cooperation with the U.S. tobacco trade and the Japanese



Japanese tobacco shop.
Poster shown at the right
advertises cigarette brand that
contains U.S. tobacco. As
part of the tobacco promotion
program in Japan, similar
posters were distributed to
162,000 retailer's shops
throughout the country.

Tobacco Monopoly, has been engaged in a tobacco promotion program in Japan for the past few years. The objective of this program is to increase the exports of U. S. tobacco to Japan by promoting Japanese cigarettes which contain U. S. leaf. This has been accomplished by the use of modern advertising media to which the people of the United States have become so accustomed, such as television, magazines, and posters.

In order to insure efficient and timely advertising, consumer surveys and market studies have been conducted in conjunction with the various phases of the promotional program. This research has been highly successful in determining consumer demands and purchase motivations, which are of great importance in directing specific advertising toward the various types of consumers. Smoking is new to the woman of Japan. Thus, much of the recent advertising has been directed toward this "new" consumer.

Table 5.—Sales agreements for tobacco under Title I, Public Law 480, from the beginning of the program January 1955 through June 30, 1960

COUNTRY ¹	ESTIMATED QUANTITY	VALUE
	Million pounds	Million dollars
Austria	7.4	4.8
Brazil . . . . .	.4	.8
Burma	3.7	2.8
Chile . . . . .	.5	.5
China (Taiwan).	7.1	6.0
Colombia	2.0	2.1
Ecuador . . . . .	.4	.7
Finland	23.3	16.0
France	16.5	10.0
Iceland	1.6	1.7
India	6.6	6.5
Indonesia	24.4	14.3
Israel	1.4	.9
Italy	26.1	20.4
Japan	9.8	7.8
Korea	8.5	6.6
Pakistan	6.9	5.8
Spain	34.2	24.9
Thailand	5.4	3.9
United Arab Republic (Egypt)	20.4	15.4
United Kingdom	52.9	38.0
Uruguay	6.8	6.1
Viet Nam	17.3	10.5
Total	283.6	206.5

¹Since June 30, 1960, additional agreements have been signed.

In addition, key members of the Japanese promotion and sales staff have visited the United States under the auspices of this program. While in this country, the visitors have studied the various techniques used by leading U.S. advertising agencies and cigarette manufacturers. They also have received training in sales distribution and other techniques, so important in getting the cigarette from the manufacturer to the consumer. During the past year, two members of the Monopoly's staff visited this country for this type of training.

Thus far, this program has proved to be a very effective method for expanding U.S. tobacco exports to Japan. The amount of U.S. tobacco used by the Japanese Monopoly has risen substantially each year. In 1959, the Monopoly used 10.6 million pounds of U.S. leaf, compared with 8.8 million pounds in the previous year and only 5.0 million pounds at the time the advertising program began.

"Peace", a cigarette containing 25 percent of U.S. tobacco, has been the recipient of the

Table 6.—U. S. exports of unmanufactured tobacco under Public Law 480, by types and countries of destination, from the beginning of the program, January 1955 through June 30, 1960¹

(Declared weight)

COUNTRY	FLUE-CURED		BURLEY		DARK-FIRED KY.—TENN.		DARK-FIRED VIRGINIA		MARYLAND		DARK AIR-CURED		CIGAR LEAF		TOTAL	
	QUAN. 1,000 pounds	VALUE 1,000 dollars	QUAN. 1,000 pounds	VALUE 1,000 dollars	QUAN. 1,000 pounds	VALUE 1,000 dollars	QUAN. 1,000 pounds	VALUE 1,000 dollars	QUAN. 1,000 pounds	VALUE 1,000 dollars	QUAN. 1,000 pounds	VALUE 1,000 dollars	QUAN. 1,000 pounds	VALUE 1,000 dollars	QUAN. 1,000 pounds	VALUE 1,000 dollars
Austria	4,686	2,858	1,678	900	229	185	547	476	—	—	—	—	284	378	7,424	4,797
Brazil	—	—	—	—	—	—	—	—	—	—	—	—	312	708	312	708
Burma	2,914	2,035	32	27	—	—	—	—	—	—	—	—	—	—	2,946	2,062
Chile	271	212	52	37	1	1	—	—	—	—	—	—	—	—	324	250
China, Rep. of	6,736	5,782	132	107	—	—	—	—	—	—	—	—	—	—	6,868	5,889
Colombia ²	440	458	270	286	—	—	—	—	22	23	—	—	11	16	743	783
Ecuador	272	211	148	118	—	—	—	—	—	—	—	—	—	—	420	329
Finland	17,029	9,152	3,146	1,987	499	147	104	46	—	—	660	315	—	—	21,438	11,647
France	4,695	3,913	635	519	8,522	4,243	—	—	157	124	—	—	—	—	14,009	8,799
Iceland ²	838	757	533	483	162	29	—	—	39	37	—	—	—	—	1,572	1,306
India	6,488	6,274	30	27	—	—	27	21	—	—	—	—	11	27	6,556	6,349
Indonesia	23,336	14,144	48	17	878	538	—	—	—	—	55	20	—	—	24,317	14,719
Israel	1,094	738	—	—	—	—	—	—	1	1	—	—	5	5	1,100	744
Italy	13,355	10,484	8,337	6,990	3,750	2,896	—	—	—	—	—	—	—	—	25,442	20,370
Japan	8,055	6,662	1,736	1,165	—	—	—	—	—	—	—	—	—	—	9,791	7,827
Korea	8,237	6,506	249	223	—	—	—	—	—	—	—	—	—	—	8,486	6,729
Pakistan	5,779	4,818	—	—	—	—	—	—	—	—	—	—	—	—	5,779	4,818
Spain	14,075	11,719	8,050	6,892	968	258	40	14	2,869	1,291	15	4	352	154	26,369	20,332
Thailand	5,441	4,047	—	—	—	—	—	—	—	—	—	—	—	—	5,441	4,047
U.A.R. (Egypt)	10,771	6,561	2,284	2,065	954	268	94	30	110	65	—	—	1	4	14,214	8,993
United Kingdom	52,905	38,074	—	—	—	—	—	—	—	—	—	—	—	—	52,905	38,074
Uruguay	5,732	5,412	1,209	1,121	27	23	—	—	14	9	1	3	9	27	6,992	6,592
Vietnam	6,722	4,863	785	731	497	182	—	—	866	343	—	—	1,540	626	10,410	6,745
Total	199,871	145,680	29,354	23,695	16,487	8,770	812	587	4,078	1,893	731	339	2,525	1,945	253,858	182,909

¹ Preliminary. ² The value of leaf content of tobacco products authorized to be sold to these countries was financed under P.L. 480. ³ Less than 500.

Official records—Commodity Stabilization Service, U.S.D.A.

major portion of the advertising expenditures. Since the program began, the sales of this brand have increased at a rate of approximately 10 percent each year. Sales during the past year totaled 13 billion pieces as compared to 7 billion in 1956.

Within the past year, the Japanese Tobacco Monopoly has introduced two new brands which contain U.S. tobacco. This brings the total to four new brands introduced to the Japanese consumer during the time this program has been in effect.

The introduction of the new brands is an indication of the enthusiastic support the Japanese Tobacco Monopoly has given this program, and contrasts sharply with the casual interest shown by its officials just 5 years ago at the inception of the program. Also, the Monopoly and the U. S. tobacco trade are supplying over two-thirds of the program's funds. This means of expanding sales has been so effective that it is highly probable that the U.S. trade and Japanese Monopoly will continue the program at a somewhat reduced level of expenditure if it became necessary for FAS to discontinue supplying funds at the present rate.

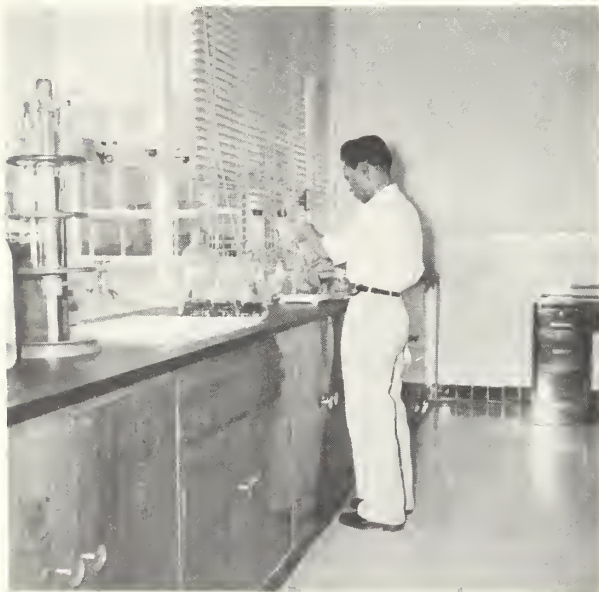
Poland

As a result of market development activity, a new postwar market for U. S. tobacco was recently opened in Poland. About \$1.5 million worth of U.S. tobacco is being purchased by the Polish Tobacco Monopoly, which plans to produce an American-blend filter-tip cigarette.

During the period 1935-37, Poland imported about 5 million pounds of U. S. tobacco annually. However, until this recent purchase, Poland had imported no U. S. cigarette leaf since 1939.

The recent sale of tobacco to Poland resulted from aggressive market development efforts

to reopen the Polish market for U. S. leaf. First, a cooperative project was undertaken which provided for a visit to the tobacco areas of the United States by the Director of the Polish Tobacco Monopoly and three key officials of his staff. This visit enabled these officials to learn more about U. S. tobacco: its characteristics, processing, marketing, and distribution. As a follow-up to this visit, a tobacco exhibit was sponsored at the Poznan Trade Fair. This exhibit consisted of the manufacture and packaging of a quality American-blend filter-tip cigarette on the spot. It was viewed by thousands of fair visitors, and the sample cigarettes which were passed out were very popular with the Polish people.



Several members of this research lab of the Thai Tobacco Monopoly have been trained in U.S. under a promotion program to increase use of U.S. leaf.

Recent Publications

U. S. Tobacco Exports Drop Slightly in 1959. FT-1-60, March 1960.
A 14-page summary statement, with statistics, listing data on U. S. tobacco exports for 1958 and 1959.

Free World Tobacco Exports Drop Again in 1959. FT 3-60, May 1960.
A 6-page summary of the tobacco export and import trade of the Free World, for 1959, with comparisons.

International Cigarette Trade Stable in Recent Years. FT 5-60, July 1960. A 7-page summary, with statistics, covering individual country data on cigarette trade, on an annual basis, for 1954-58.

U. S. Tobacco Imports Continue to Rise. FT 7-60, September 1960.
A 4-page summary of U. S. imports of unmanufactured tobacco in the first half of 1960, with comparisons.

World Cigarette Output Continues Upward. FT 8-60, September 1960.
A 6-page summary of world cigarette production, by countries, for 1959, with comparisons.

The United Kingdom--World's Leading Tobacco Market. FT 9-60, September 1960. A 9-page summary of the current tobacco situation in the United Kingdom, including trade and consumption.

About 284 Million Pounds of Tobacco Programmed Under Title I, P. L. 480. FT 10-60, October 1960. A 4-page summary, mainly statistical, of tobacco sales under P. L. 480 through June 30, 1960.

West Germany--Second-Largest Foreign Market for U. S. Tobacco. FT 11-60, October 1960. A 9-page summary of the current tobacco situation in West Germany, with particular emphasis on factors affecting prospects for U. S. exports to that country.

The Netherlands--Important Market for U. S. Tobacco. FT 12-60, November 1960. A 7-page summary of the current situation in the Netherlands tobacco industry.

World Tobacco Production Sets Record In 1960. FT 15-60, December 1960. A summary of tobacco production, by kinds and producing countries, for 1960, with comparisons.

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